has been stationary. There is need for putting up waiting sheds and rest houses for the convenience of bus passengers in various places. The district boards would have provided them if they had continued to levy the vehicle tax. Under the present altered circumstances, is it not necessary for the Government to make a special grant to the district boards for constructing bus stands and rest houses?

Mr. PRESIDENT.—Your suggestion will be noted.

GOVERNMENT BUSINESS—BILLS—*concld.*

7. General Principles of the Bill further to amend the Mysore Sugar Excise Duty Act, 1934.

The SECRETARY to GOVERNMENT, LAW DEPARTMENT (Mr. H. V. Narayana Rao) explained the general principles of the bill as follows :—

The excise duty on sugar (other than khandsari and palmyra sugar) both in British India and Mysore was Rs. 2 per cwt. The duty was raised to Rs. 3 in British India from 1st March 1940. As the duty in Mysore has to be kept at the same rate as in British India, an Emergency Act (XV of 1940) was therefore promulgated on 1st March 1940 raising the duty from Rs. 2 to Rs. 3 per cwt.

As the Emergency Act expires on 1st September 1940 and as the enhanced duty will have to be in force after that date also, this bill is designed to empower Government to continue to levy the duty at the revised rate.

Mr. B. L. BYANNA strongly opposed the bill on the ground that the enhancement of excise duty would hit the poor people very hard. The proposed increase would work out at 4 annas per maund of sugar, which was very heavy. As sugar was one of the necessaries of life, the proposal before the House would amount to the levy of an additional tax on an article of necessity.

In answer to certain members asking for certain particulars the SECRETARY to GOVERNMENT, FINANCIAL DEPARTMENT (Mr. A. N. Raghavachar) stated that the levy of this enhanced duty had been suggested by the Government of India as a war measure, that hitherto the State was retaining the entire revenue under this head and that under the arrangement proposed by the Government of India, the State could retain only an amount equivalent to the highest amount realized during any of the three preceding years and would have to make over the balance to the Imperial Government. The total revenue anticipated to be retained out of this tax was about Rs. 13 lakhs.

Mr. Y. V. MUNISWAMI IYER had no objection to the enhanced levy if it was intended only as a temporary measure.

Mr. A. N. RAGHAVACHAR replied that the decision about duration of the duty rested with the Government of India and that whatever action was taken by them in respect of sugar manufactured in other parts of India would have to be adopted in this State also. He added that if the Government of Mysore did not levy the enhanced duty, Mysore Sugar would be subjected to the levy when it was exported outside the State for purposes of sale.

Mr. B. L. BYANNA pointed out that the proposal went against the promise made by the Dewan at an earlier session of the Assembly, that no additional taxation would be resorted to in future, since the tax payer had been already taxed to the utmost extent.

Mr. A. N. RAGHAVACHAR explained that this would not affect the poorer classes who generally consumed only jaggery which was totally exempt from excise duty.

Thereupon, Mr. L. VEMA REDDY conceded the reasonableness of the proposal in the light of the emergency created by war conditions and the urgent need for help in the cause of imperial defence.

Mr. S. C. MALLIAH regretted that he could not see his way to support the bill. Owing to the war, the price of sugar had already mounted up during the past three months, and enhancement of the duty on sugar would inflate the price still further. Secondly, the proposed tax would adversely affect the interests of the raiyat who was supplying

sugar-cane to the Sugar Company because, the amount to be deducted by the company would be something more in future than at present.

Proceeding, he said that the proposed arrangement with the Government of India would also reduce the income accruing to the State. Having invested crores of rupees on the Irwin Canal scheme, the Government ought to get adequate return from it; and this would not be the case under the arrangement in view. Unless the raiyats were paid adequate prices for the cane supplied by them, the Government would find it difficult to recover from them the acreage contribution and water-rate.

For these reasons, he opposed the bill.

Mr. Shampoor PAPANNA pointed out that it was proposed to levy this duty not on jaggery but only on white sugar which was rarely used by the poorer classes. Since the Government of India had levied this enhanced duty, he felt that the State authorities would have no option but to follow suit.

Mr. Bhupalam R. CHANDRASEKHARAYYA had no doubt that the Assembly would unanimously vote against the bill in view of the very reasons advanced by the Financial Secretary. It had to be remembered, he said, that all the taxes derived from sugar manufactured in Mysore should legitimately go to the Government of Mysore. That point had been well understood even when the Sugar Company was started. So, the Financial Secretary's statement that all the income from this source over and above a datum line of Rs. 13 lakhs should go to the Government of India came as a surprise to the entire Assembly. This arrangement, even as a war measure, was totally opposed to the best interests of the State and would in effect constitute an addition to the subsidy payable to the Imperial Government. The speaker felt that it would be derogatory to the sovereign rights of His Highness the Maharaja to allow the Government of India to take away any of the taxes raised within the State. It was not clear why the Government should tax any industry in the State if the realizations therefrom was to be appropriated by another Government. The entire Assembly should protest against an arrangement of that kind.

Proceeding, the speaker said that the present was a time when people were agitating for lightening the tax burden and as such, the Assembly could not support any proposal to add to the burden. If this was done, it was the consumer that would ultimately have to bear the duty by paying a heavier price for the sugar.

There was one other serious matter for consideration in this connection. Only recently, Great Britain had refused to import Indian sugar even though there was surplus production in India, and had shown preference to the sugar from the colonies. The best way of showing India's resentment at such an invidious attitude would be, he said, by refusing to share with Great Britain any part of the income from the duty in question. If Great Britain had at least offered to purchase Indian sugar, there would have been some justification for accepting the new arrangement though at a sacrifice. For these reasons, he vehemently opposed the bill.

Mr. Ballam SRINIVASA RAO had no doubt that the enhanced duty would directly affect the consumers and therefore urged the withdrawal of the bill.

Mr. J. DEVIAH explained that so long ago as 1932-33, when sugar was selling quite cheap, the Company used to pay a price of Rs. 11 per ton of cane plus loading and unloading charges to the extent of about Rs. 2. Whereas now in spite of the high price of sugar, the cane-supplier was not getting even the original rates. The explanation offered by the Company was that because of the increased taxes, they could not afford to pay higher rates. Thus the grower was denied his legitimate profits. In addition to this handicap, the raiyat had to incur very much larger expenditure on cultivation owing to the increased cost of manure, etc. Therefore, in the interests of the grower, the member requested that the existing taxes on sugar should not be enhanced.

Rao Sahib M. RAMASWAMY pointed out that whenever Government started a new industry, they did so in the firm belief that it would tend to help the people of the State. At the time of starting the sugar factory at Mandya, the general public had entertained a hope that sugar would be made available to them at very cheap prices. But people were disappointed to find that it was not so. The rate had gone up from 4 annas to 8½ annas a viss, with the result that some people were forced to content themselves with black jaggery. It was an irony of fate that in spite of enormous production of sugar locally, people could not get it at reasonable rates.

Continuing, **Mr. RAMASWAMY** said that the man in the street did not care to understand the economic theory underlying this taxation but was concerned only with the bare fact that it would affect him. For this reason, he requested the Government not to proceed with this bill.

Mr. H. HUSSEIN ALI BEIG said that even as things stood, only a fourth of the population was using white sugar. That was because of the high prices of sugar. And if the price should go up further as a result of the increase in duty, even that small proportion would have to give up the use of sugar.

Mr. Khaji SYED YUSUF SAHIB said that it was not fair that the British Government should take away any portion of this tax under the guise of war emergency. Instead of agreeing to such compulsion, perhaps the State might first collect the duty and then make a separate contribution to the Imperial Government as for war purposes.

Mr. Rayara KEMPANNA said that the Mandya sugar enjoyed very high reputation both in and out of Mysore. The Mandya factory was a flourishing commercial concern. It would be up to it to lower the price with a view to enabling poor people also to go in for the local sugar. In a country where plenty of sugar-cane was grown, the sugar manufactured from it should not be kept beyond the reach of its citizens. Should the Government enhance the duty by Re. 1, the dealers would raise the price to the extent of Rs. 2. He therefore appealed to the Government, in the interests of poor people, not to press the bill.

Mr. A. VENKATESAIYA pointed out that in the past year there were 400 tons of Indian sugar available for export to Great Britain. But that country refused to purchase it and preferred to go in for sugar from the colonies. With such an unsympathetic attitude on their part, he remarked that the British Government could not in all conscience expect of this State the transference of the State's revenue from a tax on that very commodity. If, however, the Imperial Government should agree even now to show preference to Indian sugar, the House might agree to passing the bill. But as this appeared to be remote he said that Government would do well to withdraw the bill.

Mr. MIRZA M. AZEEZULLA BEIG remarked that enhancing the excise duty on sugar with a view to making over the proceeds to the Imperial Government for war purposes would be like robbing Peter to pay Paul. There was no moral sanction behind that idea. If the price of sugar shot up it would lead to an all-round rise in prices of foodstuffs and other necessaries of life. In his opinion, there was no need for causing so much confusion in the market conditions by enhancing this tax. The speaker also apprehended another danger in the arrangement contemplated by Government, that later on the Imperial Government might demand that other commodities also might similarly be taxed and the extra revenue derived therefrom be handed over to them. Government would thus be putting poor people to needless trouble and also creating a bad precedent in favour of the Imperial Government. He therefore felt very strongly that the Government of Mysore should not countenance the demand of the Government of India in this behalf.

Mr. MAYI GOWDA, who also opposed the bill, said that if the Government should impose an additional tax on local sugar because of pressure from

elsewhere and give away the proceeds for war purposes, he had no doubt that it would be derogatory to the prestige of the State. For, it would be tantamount to direct taxation of the State subjects by the Government of India themselves and an unwarranted interference in the internal administration of the State.

Mr. K. LAKSHMINARAYANA RAO contended that the levy contemplated in the bill was both illegal and inequitable. It was a cess on an article of food required by both rich and poor alike. He reminded the Government of their promise that they would not add to the existing taxation, and said that the levy of this tax would go counter to that promise.

The reason given for this duty was that because it had been levied in British India, the Government of Mysore also should levy it. He wondered whether such compelling pressure could be brought to bear on the Ruler of a State. If this was so, he asked whether in case Mysore should choose to levy a duty on any particular local produce, the Government of India would promise to reciprocate so far as the same commodity produced in British India was concerned. So long as there was no such reciprocal arrangement *inter se*, he was not in favour of the Mysore Government taking action as now proposed.

Again, the profits of the Sugar Company were being distributed between the shareholders and the cane-growers. The price level of sugar would determine the amount payable to the cane suppliers, so that if better prices were realized for sugar, the benefit thereof would naturally go to the cane suppliers in the shape of bonus. These were sound principles enunciated by the management of the sugar company. But the member was afraid that a mere artificial inflation of prices on account of extraneous circumstances would bring no benefit to the raiyats. Another point of objection against the bill was that it would hit poor people very hard. And even if that all-important consideration was brushed aside, it would have to be noted that Government of India might not recognize the surplus income from the proposed duty as a direct contribution made by Mysore for imperial defence.

Over and above all these reasons, **Mr. LAKSHMINARAYANA RAO** contended that the principle underlying the bill was opposed to all known principles of financial legislation. Also there was a fear lurking in the minds of several members that by agreeing to this levy, the Government of Mysore might be called upon to impose similar duties on other commodities also.

He therefore urged the withdrawal of the bill.

Mr. JATHARE NAIK said that very poor people were not making use of white sugar and this levy would not affect them in any way. All the same, he would support the bill in case the income from the duty would go entirely to the coffers of the State and not to others.

Mr. B. MARULAPPA regretted that the poor raiyat was being called upon to pay too large a number of taxes and cesses. On every necessity of life he was expected to pay a tax. These, in addition to novel attractions like hotels, cinemas, etc., were taxing the rate-payer over much. It would be unfortunate, in such circumstances, if he was to be further taxed by way of enhancement of the Sugar Excise Duty. He wondered whether the Government would not be doing a service to the poor tax-payer by imposing a consolidated tax payable by every subject of the State in lieu of a very large number of taxes and cesses.

Mr. K. L. NANJAPPA NADIG was of opinion that the Assembly should never agree to the proposed enhancement of the duty.

The FIRST MEMBER (Rajamantrapravina N. Madhava Rau), in replying to the discussion, pointed out that the proposed enhancement of the duty was not due to any initiative on the part of Government of Mysore. It was necessitated by the circumstance that the Government of India had already taken action on similar lines and Mysore necessarily had to conform to the same rate. Some members had stated that there might be a rise in the price of sugar, on account of the proposed

enhancement of duty. Others had said that if the excise duty was enhanced, the net amount payable to the cane suppliers by the Sugar Company would naturally be less than in the past. The actual distribution of the incidence was not easy to forecast but when a duty was enhanced, some one would have to bear the burden. If it was possible for Government to keep on the existing rate of excise duty, they would certainly not have thought of enhancing it. They had however no option in the matter, for, if the rate was not enhanced as proposed, the Government of India would certainly levy the duty to the extent of the difference between the rates existing in British India and Mysore, whenever sugar from Mysore was exported to other parts of India.

Mr. SHER KHAN requested that the proposed enhancement may be agreed to, provided that the price of sugar consumed within the State would not be enhanced on that account.

Mr. N. MADHAVA RAU replied that local consumption after all was not relatively very much, and a large part of the sugar manufactured in Mysore had to find sale outside, so that the Company would have to pay the difference in the rates as between British India and Mysore at the time of export.

One difference between the levy of Sugar Excise Duty in the past and its enhancement on the present occasion was that while the revenue from the duty in the past accrued to the Government of Mysore, the income to be derived by the proposed enhanced duty had to be allocated to the Government of India. This demand from the Government of India had come purely as a measure of war emergency and the Government of Mysore felt that that demand had to be respected; otherwise, as already stated, Mysore would be unable to export the Mysore sugar.

One or two members had remarked that Mysore could help Britain in other ways in the cause of the war, but that was a different matter. Yet others wanted the assurance from the Government that this enhanced duty would not remain a permanent feature. All that the speaker could say in reply was that this was not meant as a permanent measure. No measure of taxation for that matter could purport to hold for all time. It was hoped that as soon as possible after the termination of the present war it would be possible to revert to the original rate of duty, namely, Rs. 2 per cwt.

Mr. B. L. BYANNA asked how much of the revenue to be derived from the enhanced duty would go to the benefit of Mysore State.

Mr. N. MADHAVA RAU replied that that was a rather difficult question to answer just at present. It was estimated that at the enhanced rate the total revenue to be derived might come to about Rs. 13 lakhs of which anything between Rs. 5 lakhs and Rs. 6 lakhs would go to the share of the Government of India.

Mr. SHER KHAN again urged that the duty on sugar consumed locally ought not to be raised.

Mr. N. MADHAVA RAU replied that that might lead to several complications, so far as relations with other Governments were concerned. Besides profiteers might purchase sugar as for local consumption and then export it.

Mr. MAYI GOWDA suggested that in view of the levy of a higher duty on Mysore Sugar, the Government of Mysore might think of taxing all imports from British India at higher rates than at present.

Mr. ABDUL RASOOL SAB said that he was unable to reconcile the present discussion with several fine sentiments which members had expressed only the previous day in connection with the war emergency. It would be inconsistent on the part of the members to express sympathy for and promise support to Britain and her allies in one strain and at the same time to say that the excise duty should not be enhanced even as a war measure. He felt that the Assembly would only be showing practical sympathy for the suffering humanity by readily accepting the proposed enhancement of duty.

Mr. Bhupalam R. CHANDRASEKHARAYYA, however, was definitely opposed to the proposed measure. He referred to the question of the abolition of

subsidy which should have been a *fait accompli* by now but for the war. The very fact that Mysore continued to pay the subsidy showed that she was helping Britain and her allies to prosecute the war. This being so, there was no reason why the Government of India should expect further sacrifices on the part of Mysore. Certainly, if the conditions materially worsened in the future and every Indian was expected to show greater sacrifices, Mysore would never be found to lag behind the rest of India. But such a situation happily had not arisen, and there was thus no reason why the excise duty should be further enhanced.

At this stage the general priniples of the bill were put to vote and lost, a majority of the House voting against it.

REPRESENTATIONS.

No. 1.—Reduction of licence fee for guns.

Mr. Gonakal CHANNABASAVE GOWDA (Chikmagalur Taluk).

Mr. Gonakal CHANNABASAVE GOWDA represented that the existing rate of fees levied for gun licence were excessive and prayed that the fees be reduced to the old level in view of the present economic depression.

The FIRST MEMBER (Rajamantrapravina N. Madhava Rau) replied that this question had been considered a number of times in the past. The fees levied for muzzle loaders with barrels not more than one foot in length continued at the original level, *viz.*, 4 annas, so that people who needed weapons either for self-protection or for the protection of agricultural crops had no grievance. As regards fire arms other than muzzle loaders, it was not considered desirable to reduce the existing rate of fees.

No. 2.—Concessions to agriculturists in the recovery of land revenue.

Mr. K. MARULAPPA (Kadur Taluk).

Mr. K. MARULAPPA requested that on account of the economic depression, agriculturists might be shown some special concessions in the matter of restoration of *khates*. He suggested that in the case of lands resumed to Government for arrears of land revenue and cultivated by the parties, half the assessment might be recovered and the *khate* restored, the other haif being recovered in easy instalments to be fixed by Government. If the *khate* was not restored in any case, not only the landowner but also the Government revenue would suffer. The poor agriculturists would be deprived of their lands which would ultimately be owned by money-lenders.

The REVENUE COMMISSIONER (Rukn ul-Mulk S. Abdul Wajid) stated that even though lands were resumed to Government on account of arrears of land revenue, *khates* were being transferred to the original holders on payment of arrears. Formerly the landowners were being called upon to pay some upset price as well as *isthihar* and notice fees. All these items had now been waived subject to some conditions and he did not think that there was any real grievance on the part of the landowners at present.

Mr. K. L. NANJAPPA NADIG brought to notice that even if half the arrears was paid the land was not being restored at present and if the raiyat happened to cultivate the land in such circumstances, local officials would promptly file *takrar takta* against him and the raiyat would be heavily fined. He represented that that practice should be ordered to be put an end to.

Mr. S. C. MALLIAH supported the representation and said that Government were not likely to lose much by conceding the request. At the same time the poor agriculturists would be helped very much.

Mr. N. MADHAVA RAU stated that the land could be allowed to be cultivated and the *khate* restored only if all the outstanding arrears were paid off. But with a view to help the poor agriculturists Government would have no objection to waive all the revenue demand arising subsequent to resumption on account of arrears. As regards the upset price, a very nominal value would be demanded if the land was not cultivated subsequent to resumption.